

Message Text

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FM SECSTATE WASHDC

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AMEMBASSY SEOUL

INFO USMISSION GENEVA

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E.O. 11652: N/A

TAGS: EMIN, ETRD

SUBJECT: TUNGSTEN: CONSULTATIONS WITH FOREIGN GOVERNMENTS

ON FY 1975 DISPOSAL PROGRAM

REF: STATE 121890

1. REFTEL INFORMED POSTS OF CONSULTATIONS HELD EARLYJUNE

ON PROPOSED FY 1975 DISPOSAL PROGRAM FOR GSA-STOCKPILED

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TUNGSTEN. FOLLOWING IS GIST OF FOREIGN GOVERNMENT COMMENTS

CONCERNING FY 1975 PROGRAM:

A. AUSTRALIA: GOA FELT THAT 6 MILLION LB DISPOSAL RATE ESTABLISHED FOR FY 1974 WAS ALL THAT WORLD INDUSTRY ABLE TO ABSORB. IF USG UNABLE CONTINUE 6 MILLION LB RATE FOR FY 1975, GOA URGED ADOPTION OF FLOOR PRICE, SUGGESTING APPROXIMATELY 86.50 DOLLARS PER STU, FOR SALES IN EXCESS OF 6 MILLION LBS.

B. BOLIVIA: OPPOSED TO INCREASING FY 1974 DISPOSAL RATE, ON GROUNDS THAT INCREASE WOULD RESULT IN TUNGSTEN PRICE DECLINE. GOB FELT THAT INCREASED TUNGSTEN PRICES SINCE BEGINNING OF 1974 NOT AN INDICATOR OF ACTUAL DEMAND, BUT OF SPECULATIVE ACTIVITY IN RAW MATERIALS.

C. CANADA: GO CONCERNED THAT 10 MILLION LB RATE FOR FY 1975 WOULD CREATE SURPLUS SITUATION AND DEPRESS PRICES EXCESSIVELY. FELT THAT A 7 TO 8 MILLION LB RATE WOULD

APPEAR TO BE MORE APPROPRIATE.

D. KOREA: NO RESPONSE FROM ROK EMBASSY.

E. PERU: NO OBJECTION TO 10 MILLION LB RATE FOR FY 1975.

F. THAILAND: GOT FELT 10 MILLION LB RATE WOULD RESULT IN TUNGSTEN PRICE DECLINE. THEREFORE PROPOSED THAT FY 1975 DISPOSALS CONTINUE AT 6 MILLION LB FY 1974 RATE; ALSO THAT USG IMMEDIATELY STOP SALES AND REVIEW PROGRAM IN EVENT OF PRECIPITIOUS TUNGSTEN PRICE DECLINE.

2. AS RESULT OF CONSULTATIONS, USG HAS MODIFIED FY 1975 TUNGSTEN DISPOSAL PROGRAM, AS FOLLOWS: INSTEAD OF SETTING 10 MILLION LB RATE FOR ENTIRE FY 1975, GSA WILL CONTINUE TO OFFER TUNGSTEN AT SAME MONTHLY RATE AS FOR LAST TWO MONTHS OF FY 1974 (APPROXIMATELY 850,000 LBS PER MONTH) FOR REMAINDER OF CY 1974. TOWARD END OF YEAR USG WILL AGAIN REVIEW TUNGSTEN MARKET (INCLUDING CONSULTATIONS WITH ABOVE LISTED GOVERNMENTS) BEFORE SETTING DISPOSAL RATE FOR SECOND HALF OF FY 1975.

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3. EMBASSIES OF GOVERNMENTS CONSULTED HAVE BEEN INFORMED OF MODIFIED FY 1975 TUNGSTEN DISPOSAL PROGRAM. THEY GENERALLY APPROVED USG DECISION TO SET RATE ONLY FOR FIRST HALF OF FY 1975 AND TO REVIEW TUNGSTEN SITUATION BEFORE SETTING RATE FOR SECOND HALF OF FY 1975 AS BEING MORE FLEXIBLE THAN ORIGINAL USG PROPOSAL.

4. SINCE HOLDING OF CONSULTATIONS, LONDON TUNGSTEN PRICES REPORTED PARA TWO OF REFTEL HAVE SOFTENED SLIGHTLY, BUT REMAIN WELL ABOVE PRICES AT BEGINNING OF THIS YEAR (JUNE 27 LME QUOTATION WAS 88.86 TO 94.28 DOLLARS PER STU).

5. FY 1974 TUNGSTEN DISPOSAL TOTALED 5,711,000LBS, AGAINST ANNOUNCED PROGRAM OF 6 MILLION LBS. OFFERINGS, WHICH BEGAN IN SEPTEMBER 1973, WERE AT RATE OF 500,000 LBS PER MONTH UNTIL APRIL 1974, WHEN MONTHLY OFFERING WAS INCREASED TO 650,000 LBS. MAY AND JUNE OFFERINGS WERE ALSO INCREASED, TO 850,000 LBS EACH MONTH.

6. FOLLOWING EARLY JUNE CONSULTATIONS, GSA RECEIVED JOINT LETTER ON TUNGSTEN DISPOSALS FROM GROUP OF FREE WORLD TUNGSTEN PRODUCERS MEETING IN LISBON. COPIES THIS LETTER AND GSA REPLY BEING POUCHED ALL POSTS.

7. POSTS MAY DRAW ON THIS TELEGRAM AND REFTEL IN RESPONDING TO ANY HOST COUNTRY INQUIRIES RE GSA TUNGSTEN DISPOSALS. SISCO

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